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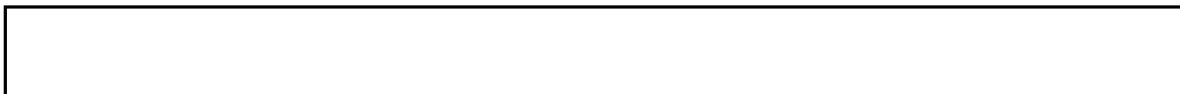
13 July 1962

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CENTRAL INTELLIGENCE BULLETIN



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USSR-Berlin: [In discussing Berlin with Austrian leaders during their recent visit to Moscow, Khrushchev adopted a tone calculated to convey the impression that the Soviet position is hardening. He said that although he was prepared to continue the US-Soviet talks and had "tried to help the President" by considering the idea of international control over Berlin access, the present US position did not provide an acceptable basis for a compromise. He again warned that he could not wait forever, but mentioned no deadlines.]

[As in earlier [] talks with Western officials, Khrushchev minimized the danger that the transfer of Berlin access controls to the East Germans might spark a nuclear war, citing the absence of a direct Western response to the Berlin wall. He said the East Germans would assume control step-by-step so as to avoid confronting the West with a clear-cut challenge which could trigger a vigorous reaction. He also indicated that the USSR would reject the 7 June Western proposal for four-power talks on local Berlin problems.]

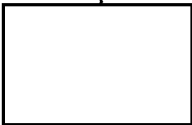
[Khrushchev evidently expected his remarks to be passed on and pitched them deliberately to keep the

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West under pressure in negotiations. There are no indications of a Soviet decision to break off the bilateral talks and to attempt to break the Berlin impasse by unilateral action in the near future.

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*The 12 July TASS statement on Germany was designed to direct world attention to Khrushchev's proposal in his 10 June speech that Western forces in West Berlin be replaced by contingents from four of the smaller NATO and Warsaw Pact members under United Nations authority. The statement, apparently prompted by the immediate US public rejection of Khrushchev's proposal, was also intended to emphasize Moscow's unwillingness to perpetuate the status quo in West Berlin. It also reminds the West that the USSR is committed to signing a separate peace treaty with East Germany if no agreement can be negotiated.

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Communist China - Laos - Nationalist China: Communist China, moving quickly to establish diplomatic representation with the new Laotian government ahead of the Chinese Nationalists, has appointed a chargé in Laos. The chargé, who headed Peiping's economic and cultural mission in the Plaine des Jarres, traveled to Vientiane with Souphannouvong on 11 July and, according to a Peiping broadcast, presented "a letter of appointment" to Acting Foreign Minister Khamsouk Keola yesterday. It is not clear, however, whether Khamsouk intended this as formal concurrence in accreditation of the Peiping representative, an action which would be contrary to Souvanna Phouma's instructions that establishment of formal relations with all countries be shelved until Souvanna's return from the Geneva conference.

Taipei maintains consular relations with Laos and shortly before the establishment of the Laotian coalition government, Vientiane and Taipei had agreed to an exchange of ambassadors. The Nationalist Chinese appointee, however, has not as yet presented his credentials to King Savang, [Nationalist Foreign Minister Shen recently said his government could ignore a Chinese Communist cultural and economic mission in Laos, but could not acquiesce in the establishment of a Chinese Communist embassy. Shen and other officials have stated Taipei will not accept a "two Chinas" arrangement.] [redacted]

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Laos: [General Phoumi is organizing a political movement designed to counter the Neo Lao Hak Sat--the Pathet Lao political arm--in eventual national elections. The new party, called the "National Movement for the Defense and Preservation of the Independence and Neutrality of Laos," aims at merging existing rightist parties. It reportedly hopes to collaborate with Souvanna's fledgling Neutralist Party (Lao Pen Kang) in presenting a single slate of candidates to oppose the Pathet Lao, who over the years have developed a widespread, disciplined grass-roots organization. Strong regional and vested interests in Laos, however, will hamper formation of a non-Communist united front. The Neo Lao Hak Sat's electoral victories in 1958 largely resulted from the failure of the anti-Communists to put up a unified slate. [

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*Burma: General Ne Win is planning to leave Burma on 14 July for a trip to Europe, [REDACTED] [REDACTED] His absence from the country at this time might well provide an opening for opponents of his regime to attempt a coup. Ne Win's prestige in the country is at the moment at an all-time low following the strongly critical popular reaction to the army's ruthless suppression of the 7 July riots at Rangoon University.

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Ne Win's visit to Europe apparently was planned prior to the 7 July riots. He is said to intend to join his wife in Vienna, where she went earlier this month, and after about a week there to proceed to London. It is possible that he will yet cancel the trip. [REDACTED] [REDACTED]

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Algeria: The talks in Rabat between dissident Vice Premier Ben Bella and a PAG minister from Algiers produced a compromise procedure for attempting to resolve the split within the Algerian leadership, according to Abdelkadar Chanderli, PAG representative at the UN. Chanderli said on 11 July that the "dismissed" Algerian National Army (ALN) staff officers would be "restored to duty" by the PAG and would publicly pledge loyalty to it. The National Revolutionary Council (CNRA) would then meet to name a committee to select candidates for the constituent assembly elections scheduled for 12 August. Chanderli admitted, however, that argument over naming such a committee caused the breakup of the June CNRA meeting in Tripoli. Ben Bella forces commanded a majority of the CNRA at that meeting, but failed to win the two thirds needed to give them control of the committee.

Independently of the above compromise, a special council of ALN officers, who generally support Ben Bella, reportedly will meet in Algiers to try to resolve the quarrel. Ben Bella may feel that such an effort is necessary because he still is not assured of a two-thirds majority. Meanwhile, there are indications of increasing tension between ALN units supporting Ben Bella and those loyal to Ben Khedda and the PAG. The troops are said to feel that no political progress can be made in Algeria until the leadership issue is resolved.

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Yugoslavia: Yugoslavia is attempting to balance its foreign economic relations by strengthening its association with the bloc, maintaining economic ties with the West, and developing broad economic cooperation among the nonaligned states. During the 3-6 July visit to Moscow by a high-level Yugoslav economic delegation, Moscow and Belgrade signed a new enlarged trade agreement for 1963-65. The USSR agreed in principle to grant Belgrade unspecified credits in 1963, in amounts to be determined on the merits of individual Yugoslav requests. According to Yugoslav diplomats, Moscow also agreed to give favorable consideration to a request for Yugoslav participation in certain committees of the bloc's international economic organization (CEMA).

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[On 9 July, Yugoslav politburo member Bakaric told an American diplomat that in the fall Belgrade will attempt to reach some accommodation with the Common Market.] Yugoslavia is already a member of certain committees of the Organization for Economic Cooperation and Development (OECD) and eventually intends to seek full membership in the organization.

At the Cairo Economic Conference of Developing Countries, Yugoslavia's chief delegate on 11 July proposed "setting up an institution composed of qualified experts to deal continuously and systematically with problems of economic cooperation" between the participating states. He specifically proposed developing mutual transport, monetary cooperation, consultation on customs facilities, cooperation in production, and technical assistance.

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Czechoslovakia: The Czech regime has undertaken its second major reshuffle of the government within a year. Changes in the economic apparatus suggest that one major purpose is to tighten control over the economy. [Another probable aim is to reduce opposition to Party Secretary Novotny's leadership.]

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These moves, along with the postponement of the party congress from October to December, reinforce the view that Novotny has been under attack because of the weak performance of the economy and his imprisonment of former Interior Minister Rudolf Barak, his major political rival. [There have been rumors since mid-May that Novotny would be forced to resign.]

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Spain: The US Embassy in Madrid does not attach great significance to the recent cabinet changes which involved the replacement of seven ministers. The appointment of "progressive" new ministers of labor and industry will probably facilitate some liberalization of the government's economic policies, but no comparable tendency in the political sphere is likely as a result of the changes.

The creation of the vice presidency to which 66-year-old Captain General Munoz Grandes was appointed was intended to place an individual directly in a position to carry on the government in the event of Franco's death or incapacity. Vice President Munoz Grandes, who retains the post of chief of the high general staff, and has acquired control of the three service ministries in the present reorganization, is now the second most powerful man in Spain. The creation of the post of vice president solves neither the problem of who will succeed Franco as chief of state nor the long-standing question of a return to a monarchy. []

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The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

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